

Leaving PERF-Covered Employment

Indiana Public Employees' Retirement Fund

LEAVING PERF-COVERED EMPLOYMENT DOESN'T MEAN YOU LEAVE PERF!

You do have options with your PERF account. The choices you make can have a big impact on your later years. This fact sheet explains these choices and how each might impact your life. If you have questions, please contact PERF.

GENERAL MEMBER QUESTIONS

Will I lose my PERF account when I leave my job?	There are two parts to the PERF benefit structure. The first part is the Annuity Savings Account (ASA) . This money is yours. There are requirements for withdrawing this money, but leaving your PERF-covered job does not reduce or eliminate this benefit. The second part is the pension benefit . To be eligible for a pension when you retire, you must be vested and reach a certain age.
How do I know if I'm vested?	Vested means that a member has a total of at least 10 years of PERF-covered service. You earn service by working, but may also be eligible for service credit if you have military service or other authorized leaves. Information about service is available on the web site or in the PERF Member Handbook , which is also available on the Fund web site. If you do not have Internet access, check with your employer or your local library. If you believe you have somewhere between 9 and 11 years of service credit, you may wish to check with PERF to verify your actual vested status.
Can I leave my money invested in PERF if I am not working in a PERF-covered position?	Yes! The funds in your ASA belong to you no matter whether you are working in a PERF-covered position or not. You are under no obligation to take a refund before you reach 70 1/2 years of age, when special tax rules apply. You will not be able to contribute any more money to your account if you are not in a PERF-covered position, but you will be able to continue in any of PERF's current investment options. You will also continue to receive quarterly statements and be able to change your investment option choices. If you are vested, you can simply remain invested in PERF until you apply for retirement. If you are not vested and you do not return to PERF-covered employment within 10 years, your investments in the Guaranteed Fund will no longer earn interest and you will no longer be able to choose this option. Your PERF account will be available whenever you choose a distribution.
Will PERF ever lose track of where I am?	After you leave PERF-covered employment, PERF no longer receives contributions or wage reports for you. PERF maintains all the information related to your account and reports from your employer(s) in member files. You should receive a statement quarterly (every three months) with the details of your ASA investments. Unfortunately, members often forget to tell PERF when they move or experience a life change that might require them to name a new beneficiary. Whether actively or inactively employed with PERF, members have the responsibility of keeping their personal information up to date. If you have not received a quarterly statement within the past four months, please contact PERF or visit the web site to get a change of address form. Be sure the beneficiary named in your account is the person you intend.

Funding your future.

ABOUT REFUNDS

Can I withdraw my ASA?

When you leave PERF-covered employment, you may be tempted to take a refund of your ASA. Although you may have money to cover immediate expenses, you may end up walking away with less than expected. **If you are under age 59.5 when you leave employment and take a refund, you may be required to pay a 10 percent tax penalty unless you qualify for an Internal Revenue Service exemption.** Before you receive the money, PERF will automatically withhold 20 percent as prepayment of your current year's income tax. Depending on your income tax bracket, you could owe additional taxes on your total income at tax time. If you are vested, taking a refund may also cost you your PERF lifetime monthly pension.

Why should I worry about a pension when I need the money now?

Once you are vested and meet eligibility requirements, you will receive a pension check every month after you retire **for the rest of your life! You will lose that future benefit if you have 10 years of PERF-covered service and take an ASA refund.** If you work in another PERF-covered position for at least six months between that refund date and your retirement date, you will be re-instated for a pension. However, you may not have that option. Please consider the refund option very carefully if you are vested.

How do I get my refund?

You must submit a refund application to PERF. Forms are available on PERF's web site or by mail. **(Note: if you are eligible for retirement with PERF, you must apply for your retirement benefits rather than a refund.)** You must choose whether to take your ASA as a single cash distribution or roll it over into another tax-deferred account. Some of your ASA contributions may have been made with money you have already paid taxes on (*post-tax*) and some contributions may have been made before taxes were paid (*pre-tax*). The application includes explanations. You may wish to speak with a reputable tax advisor before making your refund choices.

What is a rollover distribution and how do I take it?

Rather than take a cash refund distribution of your ASA, you can move the money into a qualified tax-deferred account outside PERF, such as an IRA or certain employer tax-deferred plans. Your funds are not reduced by taxes or penalties, and you remain invested in your retirement future. Taxes are deferred, that is, pushed into the future so your funds can grow faster. You may also be able to take advantage of a lower income tax bracket after you retire.

ABOUT RETIREMENT

How do I apply for my retirement benefits?

Retirement from PERF means you receive a monthly pension benefit payment. You can apply for full PERF retirement benefits, if you have at least **10 years of service and are 65 years old** or are at least **60 years old with 15 years of service.** You may also apply for full benefits if you meet the **Rule of 85**, which requires that a member's age and years of service total 85. To qualify under the Rule of 85, you must be at least age **55 with 30 years of service.** If you have **15 years of service and are age 50 through 59**, you are eligible for a reduced benefit amount. The amount of the reduction is a percentage of the full amount based on your age and years of service at retirement. See the PERF Member Handbook for more details.

Because PERF must verify service with all of a member's past PERF employers, processing your retirement application will take time. **Submit your application no later than six months prior to your retirement date.** PERF cannot process your application until all information from you and your employer(s) is submitted. There may be a delay between your final paycheck and your first retirement check. The first payment will include any retroactive benefits owed. For more information, go to PERF's web site and click on "Bridge to Retirement."

If you are not old enough to retire but you are vested, you need not do anything. Your PERF benefits will be there when you reach retirement age, even if you never return to PERF-covered service, as long as you have not taken an ASA refund without returning to work for at least six months.

What do I do if I have recently become disabled?

To qualify for a PERF disability retirement, you must have at least five years of creditable service. You must also still:

- Be receiving a PERF-covered salary,
- Be receiving employer provided income protection benefits,
- Be on leave covered by the Family and Medical Leave Act (FMLA), or
- Be collecting worker's compensation benefits.

You must also be receiving one of these incomes when the onset date of a Social Security Award Letter for disability is awarded. When applying for benefits, you will be required to provide PERF with a Social Security Award Letter for disability. Disabled members will be entitled to receive PERF disability benefits for as long as they continue to be eligible for Social Security disability benefits.

What do I do now? Remember that you can fill out applications in advance, but you are not actually eligible to receive any PERF benefit (retirement or refund) until after your last wage earning day with your PERF employer. For PERF issues, start with your current or most recent employer. PERF distributions always require some information that must be supplied by that employer. For further information and assistance, check the web site, www.perf.IN.gov, or call customer service toll-free, 1-888-526-1687.